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Arizona Corporation Commission
BEFORE THE ARIZONA CORPORATION COMMISSION

CARL J. KUNASEK
CHAIRMAN

JIM IRVIN
COMMISSIONER

WILLIAM A. MUNDELL
COMMISSIONER

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IN THE MATTER OF THE APPLICATION OF
CTC COMMUNICATIONS CORP. FOR A
CERTIFICATE OF CONVENIENCE AND
NECESSITY TO PROVIDE COMPETITIVE
INTERLATA/INTRALATA RESOLD
TELECOMMUNICATIONS SERVICES EXCEPT
LOCAL EXCHANGE SERVICES.

DOCKET NO. T-03640A-98-0590

DECISION NO. 62036**ORDER**

Open Meeting
October 26 and 27, 1999
Phoenix, Arizona

BY THE COMMISSION:

Having considered the entire record herein and being fully advised in the premises, the Arizona Corporation Commission ("Commission") finds, concludes, and orders that:

FINDINGS OF FACT

1. On October 6, 1998, CTC Communications Corp. ("CTC" or "Applicant") filed with the Commission an application for a Certificate of Convenience and Necessity ("Certificate") to provide resold interLATA/intraLATA telecommunications service in the State of Arizona.

2. In Decision No. 58926 (December 22, 1994), the Commission found that resold telecommunications providers ("resellers") were public service corporations subject to the jurisdiction of the Commission.

3. In Decision No. 59124 (June 23, 1995), the Commission adopted A.A.C. R14-2-1101 through R14-2-1115 to regulate resellers.

4. CTC is a Massachusetts corporation that has been qualified to conduct business in Arizona since 1998.

5. CTC is a switchless reseller, which purchases telecommunications services primarily from IXC Communications and Frontier.

6. On March 28, 1999, the Commission's Utilities Division Staff ("Staff") filed a Staff

1 Report.

2 7. The Staff Report stated that CTC provided audited financial statements for the year
3 ended March 31, 1998, which indicated assets of \$22.5 million, liabilities of \$11.1 million, and
4 retained earnings of \$6.7 million. Applicant had a net income of (\$2.9 million).

5 8. Staff stated that Applicant has sufficient financial resources to make necessary plant
6 additions or incur operating losses.

7 9. The Staff Report stated that Applicant has no market power and the reasonableness of
8 its rates would be evaluated in a market with numerous competitors.

9 10. Staff recommended that:

10 (a) Applicant's application for a Certificate should be approved subject to A.A.C.
11 R14-2-1106.B;

12 (b) Applicant's intrastate toll service offerings should be classified as competitive
pursuant to A.A.C. R14-2-1108;

13 (c) Applicant's competitive services should be priced at the effective rates set
14 forth in Applicant's tariffs and the maximum rates for these services should be
15 the maximum rates proposed by Applicant in its tariffs. The minimum rates
16 for Applicant's competitive services should be Applicant's long run
incremental costs of providing those services as set forth in A.A.C. R14-2-
1109. Any future changes to the maximum rates in Applicant's tariffs must
comply with A.A.C. R14-2-1110;

17 (d) Applicant should be required to comply with the Commission's Rules and
18 modify its tariffs to conform with these Rules, if it is determined that there is a
conflict between Applicant's tariffs and the Commission's Rules; and

19 (e) The application may be approved without a hearing.

20 11. By Procedural Order dated May 10, 1999, the Commission set a deadline of June 14,
21 1999 for filing exceptions to the Staff Report; requesting that a hearing be set; or requesting
22 intervention as interested parties. The Procedural Order also directed Applicant to file affidavits of
23 publication of notice of the application by June 14, 1999.

24 12. Affidavits of publication were filed on June 17, 1999.

25 13. No exceptions were filed to the Staff Report, nor did any party request that a hearing
26 be set, nor were any requests for intervention filed with Docket Control.

27 14. On August 12, 1999, Applicant filed a summary of financial results for the third fiscal
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1 quarter ended December 31, 1998. Applicant indicated that net losses increased from \$10.98 million
2 in its second quarter to \$11.97 million in its third quarter.

3 15. In order to protect the public interest, it is appropriate to require that if Applicant
4 desires to receive prepayments, advances or deposits from its customers, it should establish an escrow
5 account or post a bond, as described below.

6 CONCLUSIONS OF LAW

7 1. Applicant is a public service corporation within the meaning of Article XV of the
8 Arizona Constitution and A.R.S. §§ 40-281 and 40-282.

9 2. The Commission has jurisdiction over Applicant and the subject matter of the
10 application.

11 3. Notice of the application was given in accordance with the law.

12 4. As conditioned below, the provision of competitive interLATA/intraLATA reseller
13 services in Arizona by Applicant is in the public interest.

14 5. With the conditions contained herein, Applicant is a fit and proper entity to receive a
15 Certificate for providing competitive interLATA/intraLATA reseller services in Arizona.

16 6. Staff's recommendations in Findings of Fact No. 10 are reasonable and should be
17 adopted.

18 ORDER

19 IT IS THEREFORE ORDERED that the application of CTC Communications Corp. for a
20 Certificate of Convenience and Necessity for authority to provide competitive interLATA/intraLATA
21 resold telecommunications services except local exchange services shall be, and the same is, hereby
22 granted, as limited below.

23 IT IS FURTHER ORDERED that CTC Communications Corp. shall comply with the Staff
24 recommendations set forth in Findings of Fact No. 10.

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1 IT IS FURTHER ORDERED that CTC Communications Corp. shall not be authorized to
2 charge customers any prepayments, advances or deposits, unless within thirty days of this Decision it
3 establishes an escrow account or posts a bond equivalent to one year of prepayments, advances or
4 deposits to be received from Arizona customers, in advance of receipt of the prepayments, advances
5 or deposits. If in the future CTC Communications Corp. desires to initiate such charges, or to
6 terminate its escrow account or bond, it must file information with the Commission that demonstrates
7 the company's financial viability. Staff shall review the information and file its recommendation
8 concerning financial viability within thirty days of receipt of the financial information, for
9 Commission approval.

10 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

11 BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

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14 CHAIRMAN

COMMISSIONER



COMMISSIONER

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17 IN WITNESS WHEREOF, I, BRIAN C. McNEIL, Executive
18 Secretary of the Arizona Corporation Commission, have
19 hereunto set my hand and caused the official seal of the
20 Commission to be affixed at the Capitol, in the City of Phoenix,
21 this 2nd day of November 1999.

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23 BRIAN C. McNEIL
24 EXECUTIVE SECRETARY

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1 SERVICE LIST FOR:

CTC COMMUNICATIONS CORP.

2 DOCKET NO.

T-03640A-98-0590

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